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The Impact of Corporate Social Responsibility Strategies on Financial Performance: an analysis of Total Energies and the energy sector in France

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Introduction

In the past, the conventional wisdom of corporate responsibility was to fulfill its obligation by providing the maximum profit as required by the stakeholders. However, what recently came up is that nowadays, society expects from companies not only the provision of the maximum profit but also a much more wholesome approach—one that takes into consideration all their stakeholders, or rather, all those entities that have a vested interest in how the company goes about its business. Undoubtedly, corporate interests are not simply the shareholders but also other parties or bodies thus impacted by the activities of the company. Stakeholders referred to those persons or institution negatively impacted by the activities, practices, and decisions of the company, and those in which the success of the company is associated with. It can be therefore defined as a management concept by which companies combine social and environmental concerns into their operations of business and interactions with stakeholders. Therefore, the companies are now bound to translate the profit-maximizing mindset into a stewardship or multi-fiduciary stakeholder concept, whereby the purpose of the company is now to achieve the balance of interests whereby it avoids causing any harm to the interests of any group of stakeholders.

This thesis is going to provide the in-depth analysis of the concept of Corporate Social Responsibility (CSR), particularly describing that CSR is a potential solution of the threats by the current environmental crisis. To do so, the analysis of this thesis is structured on three chapters.

The first chapter will provide for a more detailed explanation of the CSR and its development. In this regard, it will find its origins in the past, development over the decades, and the different theories and models that have been created. To somehow come up with an understanding of this complex theory, it will be needed to draw on the works of Archie B. Carroll and John Elkington to understand its theoretical infrastructure better. It will also take up the requirements and national norms that have been put in place concerning CSR, in particular, through the PACTE law and the anti-waste law in France.

The second chapter focuses on how the CSR activities of a company impact its financial performance. It discusses the arguments based on whether CSR can actually contribute to enhancing a company's financial performance and, if so, then how it can. This chapter, derived from the case studies and academic research, is going to bring forward how the integration of the views of CSR into the company's strategy will result in competitive advantages, better reputation, and increased loyalty from customers and employees. This is derived through the varied literature from theoretical perspectives of Michael Porter and R. Edward Freeman and also the criticisms, like Milton Friedman's.

The third chapter, therefore, introduces the deployment of CSR within the energy industry and, more specifically, within a French member of the CAC40, namely, TotalEnergies. This chapter attempts to analyze the manner in which CSR integrates into the operational practices of the TotalEnergies and the effects of such CSR practices on the performance of the TotalEnergies and the sector at large. This objective comes in the form of an analysis of the social and environmental contributions of the TotalEnergies, along with a presentation of critique and challenge the company faces. Ultimately, the effect of CSR on the competitiveness within the energy sector will be discussed and how precisely CSR practices affect—either raising or lowering—industry standard, innovation, and market opportunities.

Chapter 1: Understanding the Concept of CSR

1.1 Definition and Evolution of CSR

Corporate social responsibility entails the approach that a business will take in conducting its operations in an ethical way that will respect society and further the interests of communities along with the environment. Corporate social responsibility makes corporations realize their impacts in terms of the economy, society, and the environment. It also holds organizations responsible for the impacts of their operations in the environment, employees, shareholders, customers, suppliers, and all other stakeholders.

The notion that businesses have a responsibility to communities is not new. Professor and researcher Eric C. Chaffee, in his 2017 study "Origins of CSR" published by the University of Cincinnati, traces the social component in business behavior back to ancient Roman laws. These laws were characterized by entities whose aim was to improve society as a whole, such as homes for the poor, hospitals, and orphanages. Centuries after the Roman Empire, the philanthropic concept of businesses as social entities further spread, particularly due to Christian religious communities settling in America. This eventually led to a growing concern for the well-being of employees and, more broadly, the labor market by the end of the 19th century.

However, it was only in the 1930s that business owners and managers began to pursue profit maximization while simultaneously taking on the responsibility to balance profit-seeking with meeting the demands of their customers, employees, and the surrounding community.

With the exponential growth of businesses after World War II, companies began to be increasingly perceived as institutions with responsibilities towards society. This ultimately sparked a debate on what these responsibilities should entail and how they should be fulfilled by businesses and their managers.

The beginning of the debate on Corporate Social Responsibility is generally dated to the 1950s, specifically 1953, when Howard Bowen defined a specific set of principles that companies should adhere to in fulfilling their social responsibilities. According to Bowen, the social responsibilities of business leaders can be defined as "the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society." Numerous eminent researchers have made significant contributions to the definitions and theories of CSR. In this chapter, our aim is to analyze the theories, models, definitions, and approaches to Corporate Social Responsibility by Archie B. Carroll, with his work "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders and " John Elkington, with his "Triple Bottom Line" approach. The implementation of CSR is not mandatory for companies according to the definition by the European Commission: CSR is the "voluntary integration" of social and environmental issues into a company's activities and its relationships with stakeholders. However, we will also discuss several legal obligations that have emerged over time to prevent environmental and social risks, such as the PACTE law and the anti-waste law (AGEC).

1.2 Fundamental Principles and Values of CSR

1.2.1. Transparency

Transparency in the business context is much more than an abstract notion; it's a core value that guides interactions between a company and its stakeholders. When a company chooses to be transparent, it adopts an open and straightforward approach in communicating about its practices, policies, and performance. This transparency creates an environment of mutual trust between the company and its stakeholders, whether they are employees, customers, suppliers, or the community at large.

By clearly outlining its activities, a company allows its stakeholders to better understand the impacts, both positive and negative, of its actions. For example, by disclosing its environmental and social practices, a company offers stakeholders the opportunity to see how it contributes to the well-being of the planet and society as a whole. Similarly, by sharing information about its corporate governance, a company demonstrates its commitment to integrity and accountability.

Transparency also promotes informed decisions. By providing transparent access to relevant data, a company enables its stakeholders to make informed decisions about their interactions with it. Customers can choose to support a company whose values and practices align with theirs, while investors can make financial decisions based on a clear understanding of the risks and opportunities.

Furthermore, transparency strengthens stakeholder engagement with the company. When individuals feel involved and informed, they are more likely to feel connected to the company and support its goals. This can translate into increased customer loyalty, closer collaboration with suppliers, and a better reputation within the community.

1.2.2. Responsability

Corporate responsibility is a key principle that transcends mere compliance with law and regulation. It is based on the awareness of the impacts from their actions on society and/or the environment within which they are undertaken. A responsible company is one that realizes that it has a bigger role to play in the preservation of collective well-being and in the preservation of natural resources to ensure that these resources are available in the long term. It is, therefore, through the engagement of its responsibility that a company can then attribute the risks it creates by its activity.

Indeed, a responsible company is proactive in minimizing the negative impacts of its operation while maximizing positive impacts. This can translate into activities such as carbon reduction, responsible waste management, and biodiversity preservation, among others. Besides, a responsible company seeks to make amends for the damages and mistakes that are caused in making amends for environmental injustices, addressing social injustices, or meeting previously unmet needs by the communities lived in.

With responsible investment going into sustainable solutions as responsible companies, there is an assured viable future for the upcoming progeny in the long run. This can be done through investment in renewable energies, clean technology development, community projects, or the advancement of fair and ethical business. Moreover, responsibility should imply a culture of constant improvement and sustainable development within the company. By integrating the principles of responsibility in all aspects of its activity, such companies can identify opportunities for optimization and innovation constantly. This may lead to gains in efficiency and reductions in costs, as well as a better reputation for the company and better relationships with stakeholders.

1.3 The Pyramid of CSR

In 1960, Keith Davis described social responsibility as 'the decisions and actions taken by companies for reasons that are at least partially beyond the direct economic or technical interest of the company.' Carroll followed this path by providing, in 1979, a comprehensive definition of CSR, according to which CSR included the idea that the company has 'economic activities with obligations that are not only legal and economic but also ethical and philanthropic.' Carroll deemed it necessary to make the idea as clear and applicable as possible for companies, to the extent that he structured, with the publication of his article 'The Pyramid of Corporate Social Responsibility: Towards the Moral Management of Stakeholders of the Organization' in 1991, a model including all the responsibilities of a company towards its stakeholders.

The so-called pyramid represents the first significant attempt to frame the 4 key responsibilities of a company (economic commitments, legal obligations, ethical responsibilities, and philanthropic duties) in order of importance and according to a precise logic.

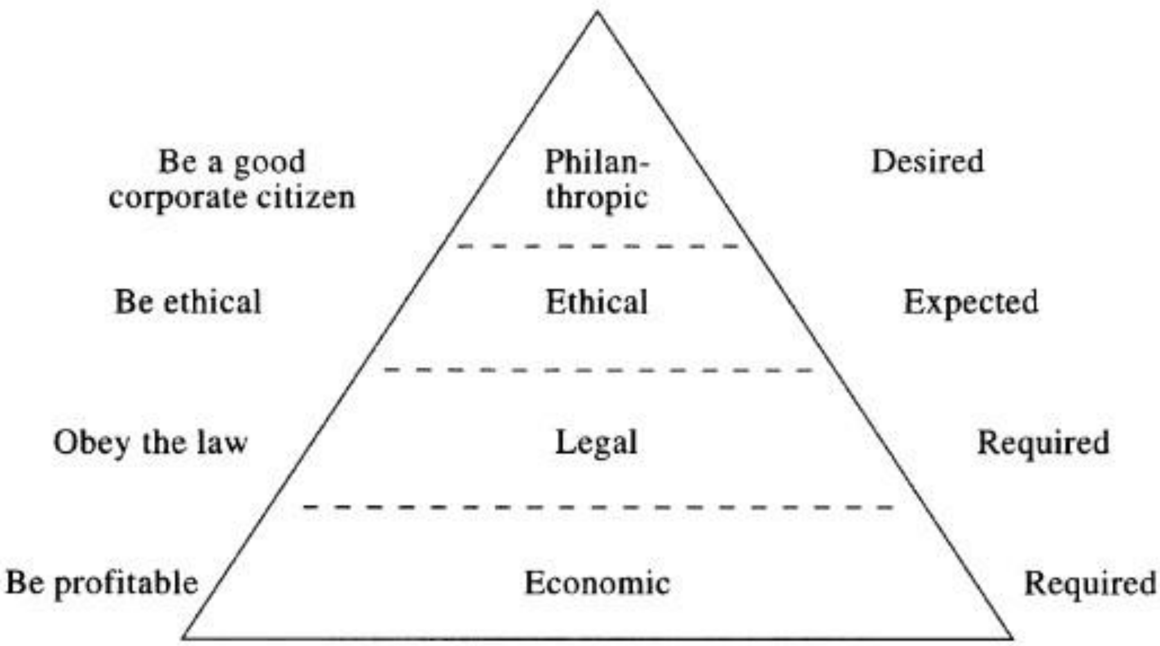

Figure 1. The Pyramid of Carroll
Source: *Carroll (1991) in "Schwartz and Carroll" (2003, p. 504)*

The base of the pyramid is the minimum precept that can be asked of a business, which, obviously, is to seek favorable economic outcomes and ensure its economic survival. As

Carroll notes, companies exist to provide products and services to satisfy the demand of consumers. From this point of view, the role of businesses is more economic than social: to satisfy consumers by providing them with the necessary products and services and to obtain a profit that guarantees the sustainability of business activity, so it can reinvest, pay suppliers, and staff. This is its first responsibility. Indeed, if a company fails to generate profit, provide returns to shareholders, remain competitive in its market, manage efficiently, or innovate, it cannot engage in charitable activities or pursue core social objectives. Economic responsibilities are crucial for satisfying the needs of various stakeholders: shareholders seeking dividends, employees wanting stable and well-paid jobs, consumers expecting quality products, and the state requiring tax revenues from company activities. Consequently, Carroll (1991) argues that society expects companies to meet these economic responsibilities.

If we climb one step up the pyramid, we encounter legal responsibility. The legal responsibility of businesses means that they must operate in compliance with the law. Adherence to the law is fundamental when it comes to corporate social responsibility since laws represent a codification process of moral values that are present in society (Crane and Matten, 2004 Within this framework, society expects companies to pursue their economic objectives while adhering to the legal and institutional regulations and must respect 'the rules of the game.'

Next, Carroll positions ethical responsibilities in the layer above. These responsibilities compel companies to do what is seen as 'good,' 'fair,' and 'honest,' even if they are not mandated by legal provisions. In other words, ethical expectations. These stakeholder expectations relate to what is seen as good or fair in society, which is somewhat what may lead governments to enact laws or establish specific legislation in line with these expectations.

At the top of Carroll's pyramid, we find the fourth level of social responsibility: philanthropic responsibilities. This set of voluntary activities benefits and assists the entire community. Some examples of projects and actions for the improvement of community welfare include funding scholarships, participating in local volunteer activities, or contributing to the environmental and social development of the community. By integrating this aspect into his social responsibility model, Carroll encompasses all the initiatives that companies undertake to enhance the quality of life for their employees, the local community, or society as a whole. Although the four sections of Carroll's pyramid may appear consistent, it is important to highlight the inherent fluidity of this model. Indeed, a company professing to have a social impact must implement all four levels of responsibility simultaneously and transparently.

1.4 The Triple Bottom Line Theory

In this section of my thesis, I delve into John Elkington's Triple Bottom Line (TBL) framework, first introduced in his 1994 publication, Cannibals with Forks: The Triple Bottom Line of 21st Century Business. This theory has the aim to transform business practices by integrating sustainability into all operations of a company.

This framework, as opposed to the traditional One Bottom Line theory where profit is the only measure of company performance, is in fact based on 3 fundamental dimensions also called the 3 Ps: Profit, Planet, and People. From an economic view, the theory, indeed, does not simply seek to maximize short-term profits but also encourages companies to aspire for long-term financial stability. This perspective suggests that business plans should be designed to be resilient and minimize risks, thus promoting sustainability instead of fleeting and potentially risky profits.

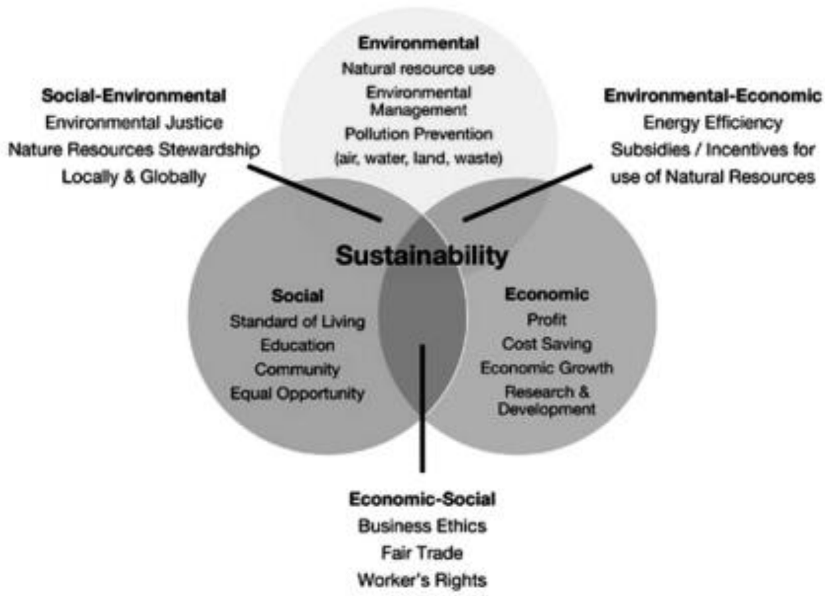

Figure 2. Three spheres of sustainability
Source: "Triple bottom line concept in theory and practice" (Zak 2015)

On a social perspective, the TBL encourages companies to go beyond maximizing shareholder value to include other stakeholders such as employees, customers, and the community at large.

This involves considering the effects of business decisions on society and working towards practices that promote fairness and social well-being, such as the fair trade movement which seeks to ensure fair compensation for suppliers in developing countries.

The environmental dimension of the TBL emphasizes the need for companies to minimize their negative impact on the environment. This includes careful management of natural resources, reducing pollutant emissions, and adopting alternative energy sources and clean technologies to preserve the quality of life for future generations.

Corporate managers may better grasp the need for sustainability by using the triple bottom line paradigm. Nevertheless, managers may find it difficult to put this theory into practice since it does not offer quantifiable standards by which to judge whether the company is functioning sustainably.

1.5 National Legislation and Standards on CSR

1.5.1 The PACTE law

We will specifically focus on French legislation to get a clear understanding of the laws that support French companies in implementing sustainable development in their activities. Enacted on May 22, 2019, the law regarding the Action Plan for the Growth and Transformation of Companies (PACTE) was designed to reform corporate life, addressing economic, social, and environmental aspects. It has had numerous implications in corporate law, labor law, and business law. The PACTE law enshrines the concept of CSR (Corporate Social Responsibility) by requiring all companies, regardless of their size or legal form, to consider the social (including societal issues) and environmental stakes of their activity. This legal evolution is reflected in concrete actions to be implemented within the company, which are part of a CSR approach. Under the PACTE law, it is appropriate to identify the social and environmental issues of the company's activity and to take them into account.

The law also aims to improve the access to financing for small and medium-sized enterprises (called PME in french). In that way it simplifies the processes involved in raising funds and relaxes regulations concerning initial public offerings.

The PACTE law has also the purpose to rethink the societal role of companies. It introduces the concept of a “mission-driven” company and amends the French Civil Code to require companies to consider the social and environmental impacts of their activities. This amendment aims to foster responsible and sustainable business practices.

Furthermore, the law seeks to enhance employee engagement in corporate life. It encourages employee share ownership and aims to increase employee representation on boards of directors. The goal here is to better distribute profits and deepen employee involvement in making strategic decisions.

1.5.2 The Anti Waste Law

The AGEC law (Anti-Waste Law for a Circular Economy) is an emerging piece of legislation, having been passed in 2020 and deemed necessary by the previous Prime Minister under Emmanuel Macron's government, Elisabeth Borne. Indeed, "A necessary law to transform our linear economy -produce, consume, throw away- into a circular economy," were the words conveyed by the French government during its adoption. It addresses the ecological expectations of the French people through practical everyday measures, fostering a tangible ecology that preserves resources and purchasing power. It also allows for a rethinking of French production models, encouraging producers to consider the upstream processes and anticipate the end-of-life of the products they bring to market with a more responsible approach to production models. Today, several measures are already part of the daily life of the French. Others are being rolled out, with a common goal of ending all forms of wastage.

We have now observed that, in French legislation, although corporate social responsibility (CSR) policies are not mandatory, the French government has decided to make certain measures compulsory to support the adoption of these policies by companies.

Chapter 2: CSR and Financial Performance

2.1 CSR Positively Impacts Company Finances

In 2003, Harvard business strategy professor and corporate consultant Michael Porter spoke before a group of business leaders on the subject of corporate social responsibility: "Why should we invest in social initiatives? Every person on the planet seems to care about the future of our planet. The economist in me says, however, that not having an answer to this question would pose a real problem in incorporating sustainable practices into business".

Indeed, according to a study by Porter, published in the Harvard Business School Review, Strategy & Society: “The Link between Competitive Advantage and Corporate Social Responsibility, corporate social responsibility” is underlined not to be seen only as a financial burden but as a strategic opportunity that can bring forth considerable competitive advantages. In accordance with his theories, he claims that CSR, when properly aligned in a corporate strategy, can lead to improved long-term financial performance. He continues that initiatives that are sustainable will reduce operational costs and offer benefits through brand image and corporate reputation, which can thereby enhance customer loyalty or even attract new environmentally and socially aware customers.

In addition, the practice of CSR may eventually bring about the innovation of some products and services that will have a way into new markets or expand on the existing market share. For instance, the production of eco-designed products or services with a view to sustainability may meet increasing consumer demand for ecologically-produced goods. For example, improving employee engagement and well-being through responsible and ethical policies, the company can reduce staff turnover and increase talent attraction, leading to lower costs for recruitment and training.

The issue, however, is that the discussion on the impact of CSR on the financial performance of a firm is vast and goes beyond the efforts made by Michael Porter. Other economists and researchers have laid hands on the issue of CSR and the effect that it has on financial performance, thus giving a wider vision and varied perspectives, making our understanding closer to reality. We shall look into the studies of some of them in order to give a comprehensive though not exhaustive view of the positive impact that CSR could exert on corporate financial performance. The Social Impact Hypothesis is derived from R. Edward

Freeman's stakeholder theory, which is to be developed later, and argues that corporate social responsibility activities could positively impact a company's financial performance. The successful satisfaction of the varied expectations not only of shareholders but also of workers, customers, suppliers, the environment, the community, and society in general leads to improved corporate performance. According to Perrini, Russo, Tencati, and Vurro (2011), this is supported by research that ensures the diversity of the expectations of the stakeholders, not only for better operational performance but to enhance the reputation of the company. This, in turn, a good reputation may have some influence on financial performance, as it attracts better talent, improves the relationship with suppliers, increases customer loyalty, and attracts investors who might increase the cost of capital. However, according to Cornell and Shapiro's research, "Corporate Stakeholders and Corporate Finance" (1987), not satisfying stakeholders can make the perception of the risks related to the company rise, raising its cost of capital. In fact, investors look at companies not fulfilling their social responsibilities as a higher risk, which may lead to higher demands in terms of returns in order to compensate for it. In 2002 Michael C. Jensen broadens this debate in his article "Value Maximization, Stakeholder Theory, and the Corporate Objective Function", claiming that expenses which improve the social performance of a corporation will, in the long term enhance its market value. According to this view, investments in CSR do not represent costs but strategic investments that will return a yield in the future. All the more in an economic environment where the conscience of consumers and investors is becoming more and more sensitive to the ethical and sustainable behavior of enterprises.

In summary, the central argument of this perspective is that companies that effectively integrate stakeholder concerns into their overall strategy benefit from better adaptation to changing market and societal demands, thereby strengthening their long-term positioning. This implies a strategic approach in which actions in favor of sustainable development and social commitment are consistently and systematically integrated into business practices.

Two professors from The Carroll School of Management and The Boston College: Sandra A. Waddock and Samuel B. Graves, have written a paper presenting the results of a rigorous study of the empirical links between financial and social performance. The paper, entitled "The Corporate Social Performance-Financial Performance Link", presents a hypothesis conceptualizing a virtuous circle between CSR and financial performance: the Positive Synergy Hypothesis.

Positive synergy is based on two foundations: social impact and surplus resources.

The social impact hypothesis suggests that CSR to a high level of CSR enhances the financial performance of a company. In other words, it is assumed that CSR activities not only help to improve the reputation of the company, increase employee satisfaction but also improve customer loyalty, hence an increase in market performance.

On the other hand, the Surplus Resources Hypothesis views the improvement of the company's financial performance from CSR programs as leaving the company with surplus resources to invest in other CSR activities, thus further pursuing and strengthening the sustainable commitments of the company.

Companies that have succeeded in maintaining such a virtuous cycle will be able to benefit from long-term growth. This naturally builds the reputation with the stakeholders, further enhancing the competitive position of a firm. Finally, positively reputed firms in sustainability and responsibility are most likely to attract, in terms of talent, like-minded, and also the investors interested in sustainability and ethics.

We note that a large body of research supports the idea that CSR is beneficial to corporate development. However, we are going to analyze other studies that present different, even contrary perspectives on this subject.

2.2 CSR Limits Financial Development of Companies

Several theories and key authors can be cited in support of these arguments concerning the potential negative effects of CSR on financial performance.

First is the Trade-off Hypothesis. According to the theory of neoclassical firms, it focuses that supplementary costs associated with any CSR activity will reduce net profits and competitiveness. This is brought out by Milton Friedman, who identifies the primary responsibility of a business as maximizing profit for its shareholders, subject to all the rules and laws. It is in this regard that any form of investment in CSR that lacks the ability to increase returns is a misallocation of resources in the company, with the.

Next, we consider the theory of slack resources according to Waddock and Graves (1997). The theory posits that firms with superfluous resources, which are essentially superfluous to the immediate survival of the firm, are far more likely to invest in CSR than firms without such a level of resources. Although this may not at first appear problematic, the investment of such resources into CSR may indeed represent a suboptimal allocation of resources, particularly if such funds could be plowed into other investments that are more strategically important to the firm's core business. For instance, reinvestments into research and development or into the expansion of markets may be assured of more direct and immediate returns that are much easier to quantify, thus growing the firm more effectively. The last is the Managerial Opportunism Theory, which features in the arguments by Preston and O'Bannon (1997) and states that, at times, the executives engage in CSR activities for their own benefit at the expense of the shareholders or even the firm in general. Managers may use CSR to increase their public image or to take the limelight off decreasing financial performance. In that regard, CSR may be a tool for public relations or as a smokescreen rather than an actual move to increase social or environmental well-being. This only hikes the costs and results in poor strategic management, where the inputs are directed away from their most valuable use.

Therefore, even if CSR proved to be beneficial in the long run, its adoption could give rise to increased costs, misallocation of resources, conflicts of interest with shareholders, and uncertain returns, all of which could impose an adverse short-term financial impact on companies.

2.3 The Stakeholder Theory

“Stakeholder theory is an idea about how business really works. It says that for any business to be successful it has to create value" (R. Edward Freeman).

This quotation by Freeman clearly states the core of the stakeholder theory—the foundational approach to analyzing corporate social responsibility and its influence on financial performance. Stakeholder theory attests that sustainable business success is associated with the capability of a business to create value not only for its shareholders but for all other parties influenced by its activities: employees, customers, suppliers, local communities, and the environment. This goes a long way away from the traditional approach, focusing on the shareholders as the only group worthy of consideration for whom a company's operations could be fine-tuned, and, therefore, stakeholder theory insists that considering the interests of this broad group can actually help in enhancing the performance. When companies integrate the expectations and concerns of the stakeholders into their strategies, they tend to improve their reputation, enhance satisfaction among customers and employees, and acquire a social license to operate, which in turn translates into improved financial profits. In addition, proactive management of stakeholder relationships allows companies to predict and prevent any possible risks and to promote innovation and development of shared value. In this light, stakeholder theory is one of the valuable viewpoints that enable the understanding of how companies can record good economic performance while trying to meet their societal and environmental responsibilities, consequently aligning economic goals with ethical and social imperatives.

In conclusion, the relationship between corporate social responsibility and financial performance is intricate. On one hand, the approach of proponents such as Michael Porter and R. Edward Freeman is strategic in nature, in a way that it creates a competitive advantage through a good reputation that causes customer and employee loyalty and hence, eventually, long-term financial success. Research is supportive that aligning CSR activities with corporate strategy can foster innovation and open new markets—increasing financial performance through the Positive Synergy Hypothesis.

On the other hand, from the other side of the critics such as Milton Friedman to proponents of the Trade-off Hypothesis, Slack Resources Theory, and Managerial Opportunism Theory, all warn against potential bad impacts that CSR might have on financial performance. Such strands assert that CSR may be expensive, misappropriate resources, and advance managerial interests over those of the shareholders, hence causing reductions in competitiveness and profit margins of a firm in the short run.

The impact on financial performance will only be affected if CSR initiatives are properly integrated into the corporate strategy and well-managed in tune with the interests of stakeholders. It is not the adoption of CSR as a function that will affect the financial performance of the companies but how it is embedded in the strategic core of the company and well managed with the interests of stakeholders in mind. Companies that get this integration right and make CSR a strategic asset will benefit, whereas companies treating CSR as peripheral may experience a financial downside. Therefore, such a balanced approach should carefully weigh the possible benefits against the challenges posed by CSR for companies striving for a sustainable financial as well as social performance.

Chapter 3: CSR at Total Energies and in the energy sector

3.1 The Importance of CSR in the energy Sector

The role of Corporate Social Responsibility in the energy sector is significant and necessary. This is because this sector highly influences the environment, society, and economy, particularly in France, where the share of the energy sector in the country is still high. Through the practice of CSR, French energy companies can reduce their carbon footprint. Waste management and saving of natural resources are also possible, thus going a long way in fighting climate change and maintaining ecosystems. In this regard, the country of France is at the strategic level; comprehensive margins of improvement hence still exist to make the energy sector more sustainable. In this regard, the presence of renewable energies in wind, solar and hydro advances, but still some short of maximal potential. Diversity of the primary energy mix improved in 2023, with nuclear representing 36,6%, oil 30,3 %, natural gas 15,5 %, renewable energies 13,9 %, and coal 2,9 %.

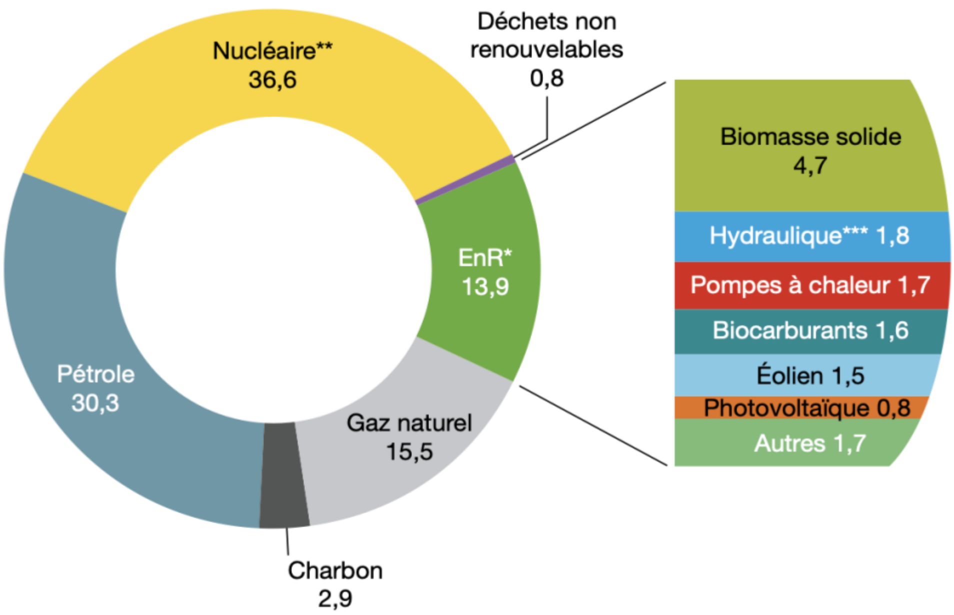

Figure 3. Breakdown of primary energy consumption in France by energy source
Source: SDES, Bilan énergétique de la France

In this case, the implementation of CSR commitments, therefore, allows energy providers to reduce their energy impacts through the utilization of renewable energies, valuing some wastes, and putting in place a circular economy. The implementation of a CSR policy also allows it to push the customers to reduce energy consumption by proposing to the latter other solutions and offering green energy. In addition, the French energy sector is one of the highest-emitting industries of greenhouse gases and air pollutants. For this, the integration course of CSR strategies that are set to cut down these gases is a must and crucial. For instance, the investment in electric automobile charger infrastructures and the improvement of renewable energy distribution networks can go a long way in reducing the country's carbon footprint. On the other hand, CSR enables energy organizations' participation in the economic domain by supporting local businesses and generating employment in new green technologies, which, in turn, will attract investments in the sphere due to transparent and ethical business practices. A regulated CSR strategy can also manage operational and reputational risks in terms of preventing environmental disasters and minimizing their consequences. Innovation is also forced forward by CSR through the development of sustainable technologies; for instance, the development of hydrogen power could be a huge leap in the sector. CSR brings people together in collaboration and mutual trust in such a way that the interests of all are taken into consideration. More in general, CSR is in France, as in the rest of Europe, in the energy field, not just an ethical commitment, but rather a strategic lever that the firm cannot afford to give up, especially when it aims to warrant its long-term sustainable performance by offering lower pollution and fostering balanced economic growth by exploiting the margins for progress available in this pivotal sector.

3.2 How CSR is Implemented at Total Energies

3.2.1. How CSR is Implemented at TotalEnergies: social and environmental contributions

Corporate social responsibility, as implemented at TotalEnergies, is the cornerstone of the company strategy, focused on ensuring sustainability, reducing the company's environmental impact, and enhancing social welfare. The reports of the company are comprehensive and detailed, such as "Sustainability & Climate 2024 Progress Report" and the “Universal Registration Document 2023" with initiatives undertaken in four mainstream areas: climate and sustainable energy, environmental stewardship, employee well-being, and stakeholder engagement. Net-zero emissions by 2050 is an ambitious but much-needed undertaking that would be in proportion with the enhanced level of problems with climate change. It is very appreciable to put 65% of the R&D budget on environmental projects, which clearly indicates serious investments in renewable energy and innovative technologies.

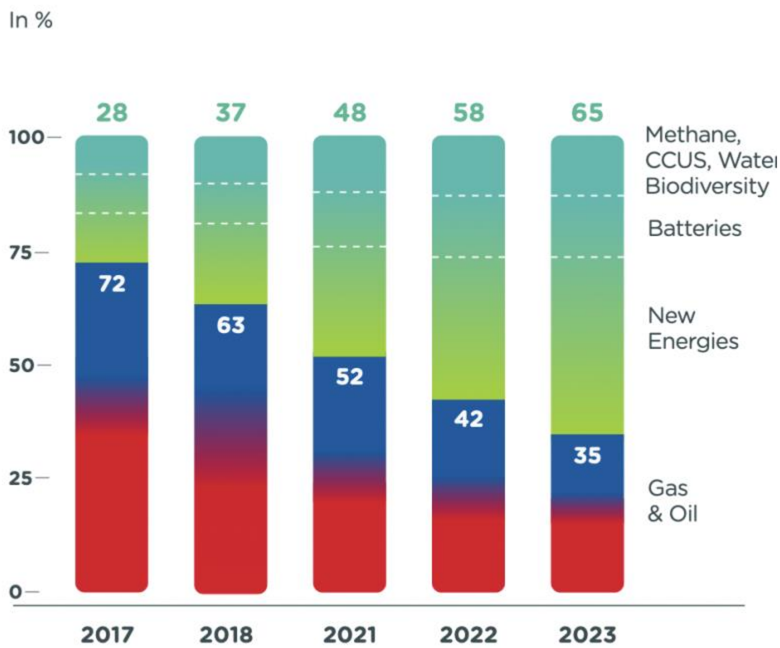

Figure 4. R&D Budget Allocation
Source: TotalEnergies Sustainability & Climate 2024 Progress Report

At the same time, the question can be posed if the rate of change is enough. The company's renewable energy reached 22.4 GW in 2023, but the more the global energy demand rises, the more TotalEnergies has to do to keep up with the pace on climate goals. The development of CCS technologies to capture up to 100 million tons of CO2 per annum by 2050 is revolutionary, but the practicality and scalability of such technologies still need to be proven.

As part of the framework for energy efficiency and emissions reduction from its operations, TotalEnergies plays an equally important role. To that end, the company targets a 40% reduction in greenhouse gas (GHG) emissions from its operated facilities up to 2030 when compared with gas emissions at 2015 levels. This is to be performed through energy efficiency, electrification of operations, as well as the deployment of low-carbon technologies. For instance, the company managed to cut significantly methane emissions by its efforts to lessen flaring in Angola and Nigeria, which in turn served to its general GHG reduction targets. TotalEnergies mainstreams biodiversity aspects at every project stage in biodiversity protection at the Environmental and resource conservation levels. For instance, the company claims to implement through the initiative 'Act4Nature International'. While such initiatives are in place, much requires strict, open monitoring on impact on biodiversity, and on long-term sustainability. Most of its work involves sustainable waste management, especially in Africa, putting TotalEnergies in a superior position to deal with issues of an environmental nature with socio-economic impacts. The success of these depends so much on localized engagement that is effective in implementation.

TotalEnergies has set high social standards through the "Care Together by TotalEnergies" program for its employees. "Though the term social standards is a bit blurry as the program encompasses the social protection and health among others aspects, further demystifies the concept". What is important to mention is that this all-inclusive approach to employee welfare is vital in guaranteeing motivation and productivity. Still, though TotalEnergies reports an impressive 461,000 days of training in the year 2023, the ultimate qualification of these training programs for career growth and skill application can be improved through specific assessments. The approach of the company to diversity and inclusion facilitated the attainment of substantial representation at the leadership platform, although the platform, at present, is a work in progress.

Engagement of stakeholders is a critical success factor to any CSR strategy, and TotalEnergies seems to have shown commitment to this through public consultations and partnerships. Over 1,500 local initiatives are impressive engagements but laudable as they may appear, their effectiveness and sustainability lie at the threshold of genuine dialogue and long-term commitment, rather than on short-term interventions. This becomes a strong point in attesting that it aligns its CSR with international standards and agreements, ensuring that it approaches its business transparently and ethically. However, adherence to this should be under consistent monitoring and reporting.

3.2.2 Criticism and Environmental Impact

However, TotalEnergies has been one of the recent subjects of heavy criticism concerning its environmental implications. For instance, TotalEnergies has been associated with significant methane emissions from its oil and gas operations. Methane is an extremely powerful greenhouse gas, with a global warming potential approximately 25 times greater than that of carbon dioxide over a 100-year period.. Methane emissions derived from its operations, majorly due to its flaring and venting practices, such as in Nigeria and Angola, into the atmosphere, are investigated to determine that the above-discussed emission control mechanisms fight the effects of climate change and call for technology improvement to capture methane. In addition, the company has attracted significant condemnation and protests from environmental bodies after carrying out deforestation activities within the Congo Basin. Congo

Basin is the second-largest rainforest site in the world and holds an important significance in global climate regulation and biodiversity conservation. The company is accused of causing massive deforestation while undertaking oil exploration and production within the rainforest. This has disrupted the local ecosystems and communities. Critics indicate that TotalEnergies is not doing enough to prevent deforestation within such forest areas and further failed to carefully scrutinize the associated social and environmental impacts of its operations.

It all came to a head during the hearing in the French Senate on the 29 of April 2024, in which TotalEnergies CEO Patrick Pouyanné came under fire regarding the company's practices and what many believe to be a lack of action on climate change. Senators at the time expressed a lack of belief in the adequacy of TotalEnergies' action plans on climate, which they believed were running short in terms of transparency and, most importantly, the urgency that is demanded in the face of the tense climate situation. On its part, Pouyanné justified the move, stating that it was balancing continued investments in renewable energy and carbon capture technologies, which mitigate damage. Critics, however, saw these measures as grossly insufficient to make up for the environmental degradation resulting from the activities of the firm in fossil fuels. The hearing shows the pressure facing TotalEnergies to become more aggressive and transparent in mitigating environmental impact.

The multifaceted and deeply ingrained strategy of CSR in the TotalEnergies corporate strategy underscores the seriousness of the commitment to sustainability. Yet its achievements remain, and the excitement is equally met with critique. The ambition to occupy a leading space, hence marking territory in renewable energy, with net carbon neutrality, is one laced with great ambition, but the practical execution of that which will show what is for real is around the corner. Not to belittle the importance of environmental initiatives and stakeholder engagements in matters of CSR, the same must be brought to an ever more upgrading and openness to ensure that there is durable benefit. TotalEnergies has to strike a balance between growing its business and showing genuine sustainability efforts—CSR initiatives that are not merely on the book of strategic imperatives, but taking meaningful and real action to contribute to global well-being and the environment.

3.3. Impact on the Company's Performance

Corporate Social Responsibility is integrated with the strategy of TotalEnergies, which alters key aspects of financial performance. Thus, participating in numerous CSR programs influences the profitability, cost structure, and long-term financial health. For instance, carbon pricing of €200 per ton in 2029 reduces the net present value of the assets of the company by 15%. This is a tremendous cost imposed against severe environmental regulation, which is the inherent aspect of carbon sources. Thus, it is necessary that massive investment is taken in carbon level mitigation strategies. If the price of hydrocarbon declines additionally by 20%, the net income of TotalEnergies reduces by $5.6 billion. It is also essential to appreciate that the involvement in the EU ETS consistently drives the company to incur high costs, and the price of the quotas consistently exceeds €100 per ton of CO2. These experiences underline the sensitivity to hydrocarbon price volatility and quota emission stress linked to TotalEnergies.

TotalEnergies has, however, experienced significant increases in investments in renewable energy sources, whereby 23.5% of eligible CapEx as well as 22,9% of Aligned CapEx were directed towards this segment in 2023. Even though such investments call for heavy capital outlays, they are dire for minimizing dependence of the company towards hydrocarbons, while at the same time creating relevance towards global sustainable trends. This gradual shift towards renewable energy will lower the carbon footprint of the company, and there will likely be need to zone into the burgeoning demand for green energy, and will offer financial payoffs in the long run due to a portfolio of revenues.

		ELIGIBLE ACTIVITIES				ALIGNED ACTIVITIES			
Taxonomy	Unit	2022	2023	2022	2023	2022	2023	2022	2023
Controlled perimeter		Turnover		CapEx		Turnover		CapEx	
Electricity and renewables	%	3.0	2.1	13.7	23.5	1.1	1.1	13.3	22.9
Incl. Electricity generation from natural gas	%	*1.8*	*0.9*	*0.3*	*0.3*	*0.0*	*0.0*	*0.0*	*0.0*
Biofuels and chemicals	%	4.4	4.2	3.1	3.8	0.1	0.2	0.6	2.3
Other eligible activities	%	0.1	0.2	0.6	0.8	0.1	0.1	0.6	0.5
TOTAL	**%**	**7.5**	**6.5**	**17.4**	**28.1**	**1.3**	**1.4**	**14.5**	**25.7**

Figure 5. Taxonomy: Eligible activities – Aligned activities
Source: TotalEnergies Sustainability & Climate 2024 Progress Report

Reputational risks and stakeholder expectations also contribute to the key importance to the financial results of TotalEnergies. The company is under pressure from NGOs, investors, and the general public to maintain high CSR standards. The failure of such standards would cut its reputation, lock out capital, and suppress shareholder value. For this reason, solid CSR performance is a minimum regulatory requirement and strategic imperative to that end, which maintains investor interest and, in turn, financial fortune over the long run.

With the move to become a Multi-Energy company, there is a huge need for investment in human resources. TotalEnergies is set to invest in training and the upgrading of skills that form a support transition for its people. Human resources management remains a crucial aspect in ensuring the operational efficiency of the company and in the realization of strategic objectives. Mismanagement of human resources could literally mess up the operation level and more so impact the financial performance of the company because of higher costs.

Last but not least, CSR performance links to executive pay packages at TotalEnergies. It is such alignment of interests that assures financial and CSR goals are pursued jointly and business practices that advocate for sustainability are at the all-time high. Linking CSR performance with executive remuneration motivates TotalEnergies to commit to long-term sustainability and further shows its investors and major stakeholders that the company has an interest in promoting ethical and responsible business practices.

3.4. Consequences on the Industry

The incorporation of Corporate Social Responsibility business models, like in the case of TotalEnergies, impacts the entire energy and utilities industry. The following section discusses such impacts in respect of industry standards, competition, new market opportunities, and the role played by government. Additionally, it discusses how such changes could affect a citizen's access to energy. The integration of aggressive CSR practices by market leaders, such as TotalEnergies, normally creates a new concept of benchmarking within the respective industry.

The benchmarks then become the industry standards, below which no other company can afford to operate. For instance, the entry of TotalEnergies in renewable energy utilization and their efforts to minimize carbon emissions have considerably elevated the scale in sustainability for the energy industry. As such, their competitors have no other choice but to follow suit. Aggressive CSR practices normally become a source of competitive advantage to many firms within the market. Firms with an approach towards addressing environmental challenges and promoting sustainable development are normally viewed more positively compared to other competitors among investors, clients, and regulators.

Veolia is one of the largest resource management leaders globally. Specialization in water management, waste recycling, and energy services has made the company attract many green-inclined clients and investors, making it unique among its competitors. EDF (Électricité de France) is one of the largest electric utility companies in the world. It has integrated strong CSR through expanding its renewables portfolio and striving to be carbon-neutral by 2050. Such commitments will make the company remain competitive and appealing to a wide range of stakeholders.

The more companies that embrace CSR, the more the regulatory bodies will tighten their grip through harsher environmental and social standards that will be mandatory to have in place throughout the industry. Companies that have already integrated CSR, such as TotalEnergies, Veolia, and EDF, are better placed to comply with such kind of regulations. Their early adoption of sustainable practices reduces the risk of non-compliance and the associated financial penalties, giving them a competitive edge.

The European Taxonomy has set very high standards on the same, acting as a determinant of what is and is not sustainable economic activity that furthers environmentally sustainable activities. At Veolia, sustainable finance has been the department leading in the enforcement of this. The European Taxonomy focuses on the key objectives, such as mitigation of the climate change scenario, adaptation to the same, transition into the circular economy, and prevention of pollution. Most of these activities are close to what Veolia is doing, making it not just a compliant but a leading company in such a market.

Government policies and support are very vital in shaping the industry's approach with regard to CSR. The policies of governments, such as the European Green Deal and the Paris Agreement, though they are directed to the public sector, have laid ambitious targets of reducing their greenhouse gas emissions and raising renewable energy. Governments also offer variants of incentives like subsidies, tax credits, and grants to promote and encourage companies to invest in environmental-friendly practices. For example, the switching to renewables embarks on TotalEnergies and EDF massively supported by the French government. It is for this reason that some regulatory frameworks of certain CSR practices are surpassed voluntarily by the companies to meet the global trends of sustainability and the expectations of their stakeholders.

More often, the commitment of this company is a voluntary one and, in most cases, emanates from the realization that CSR practices can lead to some long-term financial gain as well as increased corporate reputation. CSR has driven industry innovation. Companies invest in new technology and processes in a bid to reduce their environmental footprint and boost operational efficiency. With its investments in renewable energy sources, such as solar and wind power, TotalEnergies has managed to reduce its carbon footprint. This investment in renewable sources has also driven innovations in energy storage and grid integration.

Similarly, the waste-to-energy solutions and advanced water treatment technologies that Veolia focuses on show how CSR commitments can provoke technological advancement and the establishment of new business opportunities. EDF similarly invests heavily in innovative technologies like smart grids and energy storage to improve the efficiency and reliability of renewable energy sources. The current focus on CSR gives rise to new market opportunities and business models. Following the demand of companies to attain or be in line with their sustainability goals, there is increased demand for products and services that will help them attain such objectives. The occurring demand, in turn, gives rise to green finance, where investors ensure they only fund projects bringing forth positive environmental impacts.

Both TotalEnergies and Veolia have tapped these markets by developing green bonds and sustainability-linked financing, aligning their funding with their CSR commitments. EDF equally taps while in the space, working on green bonds. These green bonds are destined to finance the company's renewable projects as well as other sustainable programs.

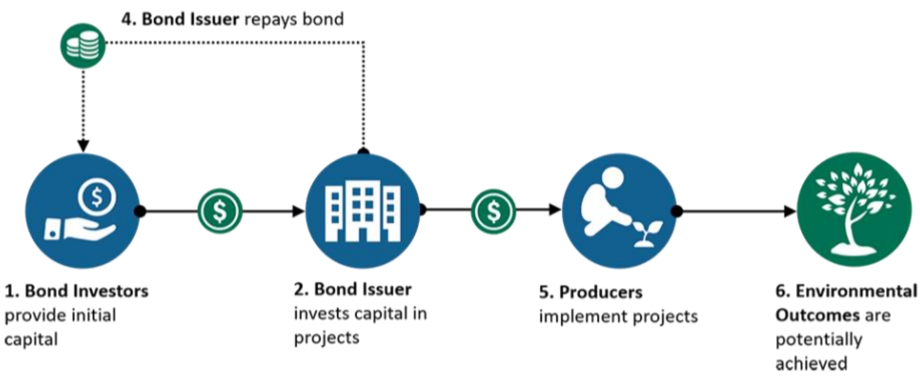

Figure 6. Green Bond
Source: EnviroAccounting - Green Bonds and Pay for Performance

The CSR also results in increased collaboration between the companies. The companies come together to solve environmental challenges and to come up with industry-wide solutions. This enhanced collaboration results in age like that of the Oil and Gas Climate Initiative (OGCI) where the TotalEnergies operates in to reduce greenhouse gas emissions and promote cleaner energy technologies. The collaboration results in enhancing company's capabilities and ensuring sustainability in the industry.

CSR arises out of the changing expectations of both customers and investors. Customers are becoming more environmentally aware, and they prefer to be associated with firms that are environmentally conscious. Investors equally bases their investment on ESG criteria, which are Environmental/Social/Governance criteria. This means that companies are bound to be more transparent and accountable in their businesses to ensure they meet such changes within stakeholders.

The drive towards this is likely to have profound impacts as regards access to the energy needs of citizens. As companies begin investing further into renewable energy and sustainable practices, the reliability and sustainability of energy is very likely to improve. For example, EDF's investments in renewable energy and smart grid technologies aim to deliver cleaner, more dependable energy to customers. This, however, is a costly transition, and the cost of the transition may pass to consumers through high prices on energy. In a better light, increased scrutiny on sustainability by regulators can result in the energy systems being more stable and resilient, reducing the risks to people from outages and environmental damage. Governmental incentives and subsidies toward the development of sustainable energy projects cushion cost increase towards widening the reach to sustainable energy among the general public.

CSR is reshaping the energy and utilities industry. Companies such as TotalEnergies, Veolia, and EDF are leading this change and setting new standards, innovation, and market opportunities. These changes work for the interest of companies and that of the entire industry. With an increasing correlation to business success, companies that will adopt these practices will likely be at the forefront of the changing market landscape. The next level of involvement should include government participation in laying out regulatory frameworks and incentives that would ensure a fast move for the industry toward sustainability while appreciating that the mandatory and voluntary practices in CSR should be futuristic. Eventually and mostly, this change affects how citizens access energy that might only be both reliable and sustainable as they try to manage the factor of cost.

Conclusion

Corporate Social Responsibility practices have become crucial in today's business operations, particularly in the energy sector, where consumer and stakeholder expectations are increasingly focused on responsible and sustainable behaviors. While the concept of CSR has gradually spread across various industries, it is particularly relevant and significant in the energy industry, given its considerable impact on the environment, society, and the economy.

As detailed throughout this thesis, the energy sector is one of the main contributors to global environmental problems, with companies like TotalEnergies playing a central role in efforts to reduce greenhouse gas emissions and promote renewable energies. TotalEnergies has undertaken significant initiatives such as investing in carbon capture and storage (CCS) technologies and increasing its renewable energy capacity. However, despite these efforts, the company continues to face criticism regarding methane emissions and deforestation, highlighting the need for more rigorous and transparent implementation of its CSR strategies.

TotalEnergies' commitment to CSR must be intensified to align with global climate goals and meet the growing expectations of regulators and the public. The company's efforts to increase energy efficiency, reduce greenhouse gas emissions and promote more sustainable technologies need to be accelerated and supported by transparent monitoring and reporting. Additionally, active engagement with local communities and stakeholders is essential to ensure a holistic approach to sustainability.

It is evident that energy companies can benefit from CSR not only in terms of regulatory compliance and risk reduction but also in terms of long-term financial performance. Investments in renewable energies and sustainable practices can lead to reduced operational costs, improved company reputation, and increased loyalty from customers and employees. Furthermore, companies that effectively integrate CSR into their overall strategy can open new markets and attract environmentally conscious investors.

In conclusion, CSR is more than just an ethical obligation for the energy sector; it has become a strategic lever essential for ensuring sustainable performance and addressing current global challenges. Companies that successfully integrate CSR into their business strategy will benefit not only from a better reputation and increased customer loyalty but also from sustainable competitive advantages. Through continuous improvement, transparent reporting, and genuine stakeholder engagement, the energy sector can play a leading role in the transition to a greener and more equitable economy. Rigorous implementation of CSR strategies will contribute not only to the sustainability of companies in the sector but also to the preservation of our environment for future generations.

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